

Consolidated Financial Results for the Fiscal Year Ended December 31, 2023 [Japanese GAAP]



February 13, 2024

Company name: Okura Industrial Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange

Code number: 4221

URL: <https://www.okr-ind.co.jp/>

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Scheduled date of general shareholders' meeting: March 22, 2024

Scheduled date of commencing dividend payments: March 25, 2024

Scheduled date of filing securities report: March 22, 2024

Availability of supplementary explanatory materials on annual financial results: Available

Schedule of annual financial results briefing session: Scheduled

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Fiscal Year Ended December 31, 2023 (January 1, 2023 - December 31, 2023)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended December 31, 2023	78,863	2.1	4,956	31.4	5,417	26.7	4,315	13.9
December 31, 2022	77,260	–	3,771	–	4,275	–	3,788	–

(Note) Comprehensive income: Fiscal year ended December 31, 2023: ¥5,986 million [53.9%]

Fiscal year ended December 31, 2022: ¥3,889 million [–%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
Fiscal year ended	Yen	Yen	%	%	%
December 31, 2023	359.29	–	7.4	5.7	6.3
December 31, 2022	317.45	–	7.0	4.9	4.9

(Reference) Equity in earnings of affiliated companies: Fiscal year ended December 31, 2023: ¥– million

Fiscal year ended December 31, 2022: ¥– million

(Note) The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the fiscal year ended December 31, 2022. Therefore, year-over-year changes for the amounts for the fiscal year ended December 31, 2022 are not presented.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2023	100,272	60,869	60.7	5,031.25
As of December 31, 2022	90,234	55,591	61.6	4,655.71

(Reference) Equity: As of December 31, 2023: ¥60,844 million

As of December 31, 2022: ¥55,570 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
December 31, 2023	8,403	(7,897)	(1,194)	7,806
December 31, 2022	3,702	(3,310)	(1,773)	8,448

2. Dividends

	Annual dividends					Total dividends (annual)	Payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
December 31, 2022	–	0.00	–	85.00	85.00	1,014	26.8	1.8
December 31, 2023	–	0.00	–	110.00	110.00	1,330	30.6	2.2
December 31, 2024 (Forecast)	–	55.00	–	55.00	110.00		30.9	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2024 (January 1, 2024 - December 31, 2024)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	40,500	3.0	2,550	5.2	2,700	(0.6)	1,900	(17.5)	157.11
Full year	84,000	6.5	5,700	15.0	6,000	10.8	4,300	(0.4)	355.57

* Notes:

(1) Changes in significant subsidiaries during the period under review: None

(Changes in specified subsidiaries resulting in changes in scope of consolidation)

(2) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: Yes

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) Retrospective restatement: None

(3) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

December 31, 2023: 12,414,870 shares

December 31, 2022: 12,414,870 shares

2) Total number of treasury shares at the end of the period:

December 31, 2023: 321,546 shares

December 31, 2022: 478,949 shares

3) Average number of shares during the period:

Fiscal year ended December 31, 2023: 12,010,255 shares

Fiscal year ended December 31, 2022: 11,933,854 shares

(Reference) Summary of Non-consolidated Financial Results**1. Non-consolidated Financial Results for the Fiscal Year Ended December 31, 2023 (January 1, 2023 - December 31, 2023)****(1) Non-consolidated Operating Results** (% indicates changes from the previous corresponding period.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
December 31, 2023	50,900	4.9	2,059	(8.6)	3,006	(9.7)	2,863	(25.5)
December 31, 2022	48,543	—	2,254	—	3,330	—	3,843	—

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
December 31, 2023	238.43	—
December 31, 2022	322.10	—

(Note) The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the fiscal year ended December 31, 2022. Therefore, year-over-year changes for the amounts for the fiscal year ended December 31, 2022 are not presented.

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2023	99,106	51,330	51.8	4,244.53
As of December 31, 2022	90,040	47,665	52.9	3,993.41

(Reference) Equity: As of December 31, 2023: ¥51,330 million

As of December 31, 2022: ¥47,665 million

* These consolidated financial results are outside the scope of audit by certified public accountants or an audit firm.

*** Explanation of the proper use of financial results forecast and other notes**

Forward-looking statements such as financial results forecast in this document are based on information currently available and certain assumptions that Company regards as reasonable. Actual results may significantly differ from such estimates due to various factors.

For details on the earnings forecasts of the Company, please see “Overview of Operating Results, etc.” on page 2 of the attachments.

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1. Overview of Operating Results, etc.

(1) Overview of Operating Results for the Period under Review

1) Consolidated operating results for the period under review

During the fiscal year ended December 31, 2023, the Japanese economy was on a mild recovery path as domestic economic activity continued to normalize following the relaxation of COVID-19-related movement restrictions, inbound consumption increased, and various economic policies worked well. Although there are expectations that pay raises will spread further and inbound demand will continue to increase, the economic outlook remains uncertain as it is still difficult to foresee the future on account of such concerns as reduced demand and increasing costs due to the global economic slowdown.

Under these circumstances, the Group posted net sales of 78,863 million yen (up 2.1% year on year) for the fiscal year under review, mainly due to an increase in orders for optical films for large LCD panels in the New Materials Division.

In terms of profit, the increase in net sales as well as our cost reduction efforts through productivity improvement resulted in operating profit of 4,956 million yen (up 31.4% year on year) and ordinary profit of 5,417 million yen (up 26.7% year on year). Meanwhile, profit attributable to owners of parent was 4,315 million yen (up 13.9% year on year), mainly due to the recording of gain on sale of investment securities under extraordinary income following the sale of investment securities held by the Company.

Business results by segment are as follows.

[Plastic Film]

The sales volume of packaging films mainly for food usage decreased, as consumer appetite was dampened by a string of price increases mainly in daily necessities, despite sales promotion efforts amid expectations for inbound demand following the easing of government-imposed COVID-19-related restrictions and the yen's depreciation. The sales volume of industrial-use process films for optics and semiconductor usages, too, remained low due to the impact of inventory adjustments as the market deteriorated. Meanwhile, as we successfully transferred the rising costs of raw materials and otherwise to product prices, net sales amounted to 51,005 million yen (down 1.2% year on year). Operating profit was 4,144 million yen (up 19.2% year on year) due to markups on products and our cost reduction efforts through productivity improvement.

[New Materials]

Orders received for optical films for large LCD panels increased, and functional materials for automobiles and other applications remained strong, resulting in net sales of 13,691 million yen (up 26.1% year on year). Operating profit was 1,854 million yen (up 38.1% year on year) due to the concentrated efforts to improve yields and productivity, as well as the increase in net sales.

[Housing Materials]

The sales volume of particleboards, one of the key products of this business segment, was maintained as the Company focused on new customer acquisition and approaches to existing customers. However, mainly due to a significant decline in the sales volume of the lumber processing business, which mainly operates in the Shikoku Island area where new housing starts fell remarkably, net sales amounted to 12,612 million yen (down 5.5% year on year). Operating profit was 900 million yen (up 4.5% year on year) due in part to the continuously stable production of particleboards despite the continuing rise in utility costs.

[Other]

The hotel business saw a recovery in sales from hotel stays and banquets as COVID-19-related movement restrictions were eased, while the information processing system development business remained robust. As a result, overall net sales of other businesses were 1,553 million yen (up 6.8% year on year). Operating profit amounted to 456 million yen (up 24.8% year on year) due in part to an increase in net sales of the hotel

business.

2) Non-consolidated business results for the period under review

Net sales for the fiscal year under review totaled 50,900 million yen (up 4.9% year on year). This was mainly due to increased orders for optical films for large LCD panels in the New Materials Division and the continuously stable production of particleboards in the Housing Materials Division. In terms of profit, although net sales increased, operating profit was 2,059 million yen (down 8.6% year on year), ordinary profit was 3,006 million yen (down 9.7% year on year), and profit was 2,863 million yen (down 25.5% year on year), mainly due to the deteriorating market of industrial-use process films for optics and semiconductor usages in the Plastic Film Division.

(2) Overview of Financial Position for the Period under Review

Assets, liabilities and net assets

Total assets at the end of the fiscal year under review increased by 10,038 million yen compared to the end of the previous fiscal year, to 100,272 million yen. This was mainly due to an increase in property, plant and equipment of 6,645 million yen, an increase in investment securities of 2,149 million yen, an increase in trade receivables of 780 million yen, and a decrease in cash and deposits of 641 million yen.

On the other hand, liabilities increased by 4,760 million yen compared to the end of the previous fiscal year, to 39,403 million yen, mainly due to an increase in other current liabilities of 2,278 million yen, an increase in electronically recorded obligations – facilities of 1,883 million yen, an increase in accounts payable - other of 1,075 million yen, and a decrease in trade payables of 510 million yen.

Net assets increased by 5,278 million yen from the end of the previous fiscal year to 60,869 million yen, mainly due to an increase in retained earnings of 3,300 million yen and an increase in valuation difference on available-for-sale securities of 1,510 million yen.

As a result of the above, the equity ratio decreased by 0.9 percentage points from the end of the previous fiscal year to 60.7%.

(3) Overview of Cash Flows for the Period under Review

Cash and cash equivalents (hereinafter referred to as “cash”) on a consolidated basis at the end of the fiscal year under review decreased by 641 million yen compared to the end of the previous fiscal year, to 7,806 million yen.

The status of each cash flow and their factors during the fiscal year under review are as follows.

(Cash Flows from Operating Activities)

Net cash provided by operating activities amounted to 8,403 million yen.

This was mainly due to cash inflows from profit before income taxes of 5,688 million yen and depreciation of 4,167 million yen, and a cash outflow from an increase in trade receivables of 775 million yen.

(Cash Flows from Investing Activities)

Net cash used in investing activities amounted to 7,897 million yen.

This was mainly due to a cash outflow from the purchase of property, plant and equipment, such as manufacturing equipment.

(Cash Flows from Financing Activities)

Net cash used in financing activities amounted to 1,194 million yen.

This was mainly due to cash outflows from dividends paid of 1,009 million yen and a decrease in borrowings of 475 million yen.

(4) Future Outlook

The Group's forecast for the next fiscal year is for net sales of 84.0 billion yen, up 6.5% year on year, mainly due to the prospect of increased sales of optical films for large LCD panels in the New Materials Division. In terms of profit, we forecast operating profit of 5.7 billion yen (up 15.0% year on year) and ordinary profit of 6.0 billion yen (up 10.8% year on year), due to the increase in net sales, and profit attributable to owners of parent of 4.3 billion yen, down 0.4% year on year, after factoring in expenses associated with structural reform currently under consideration.

2. Basic Policy on Selection of Accounting Standards

The Group's policy, for the time being, is to prepare consolidated financial statements under Japanese GAAP, taking into consideration the comparability of consolidated financial statements from period to period and from company to company.

With regard to the adoption of IFRS, the Group's policy is to respond appropriately in consideration of various domestic and international circumstances.

3. Consolidated Financial Statements and Principal Notes

(1) Consolidated Balance Sheets

(Million yen)

	As of December 31, 2022	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	8,448	7,806
Notes receivable - trade	3,324	3,011
Accounts receivable - trade	17,473	18,702
Electronically recorded monetary claims - operating	8,325	8,189
Merchandise and finished goods	5,694	5,292
Work in process	1,263	1,224
Raw materials and supplies	4,611	4,967
Real estate for sale	206	291
Other	1,292	1,461
Allowance for doubtful accounts	(0)	—
Total current assets	50,640	50,947
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	11,981	12,032
Machinery, equipment and vehicles, net	7,415	8,292
Land	6,276	6,278
Construction in progress	2,868	8,491
Other, net	428	522
Total property, plant and equipment	28,970	35,616
Intangible assets	642	888
Investments and other assets		
Investment securities	9,141	11,291
Deferred tax assets	234	130
Other	605	1,398
Total investments and other assets	9,981	12,820
Total non-current assets	39,594	49,325
Total assets	90,234	100,272

(Million yen)

	As of December 31, 2022	As of December 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	18,179	17,020
Electronically recorded obligations - operating	23	672
Short-term borrowings	1,549	1,529
Current portion of long-term borrowings	483	373
Accounts payable - other	4,306	5,382
Income taxes payable	797	765
Electronically recorded obligations - facilities	9	1,893
Other	4,159	6,437
Total current liabilities	29,509	34,075
Non-current liabilities		
Long-term borrowings	343	—
Deferred tax liabilities	0	714
Retirement benefit liability	3,968	3,789
Other	821	823
Total non-current liabilities	5,133	5,327
Total liabilities	34,643	39,403
Net assets		
Shareholders' equity		
Share capital	8,619	8,619
Capital surplus	9,071	9,105
Retained earnings	35,094	38,394
Treasury shares	(829)	(557)
Total shareholders' equity	51,956	55,562
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,507	5,018
Foreign currency translation adjustment	220	236
Remeasurements of defined benefit plans	(114)	27
Total accumulated other comprehensive income	3,613	5,281
Non-controlling interests	20	24
Total net assets	55,591	60,869
Total liabilities and net assets	90,234	100,272

(2) Consolidated Statements of Income and Comprehensive Income
 Consolidated Statements of Income

(Million yen)

	For the fiscal year ended December 31, 2022	For the fiscal year ended December 31, 2023
Net sales	77,260	78,863
Cost of sales	63,944	63,974
Gross profit	13,316	14,888
Selling, general and administrative expenses		
Sales commission	76	84
Transportation and storage costs	2,743	2,653
Salaries	2,091	2,103
Bonuses	588	615
Remuneration for directors (and other officers)	330	340
Retirement benefit expenses	115	143
Depreciation	198	220
Research and development expenses	1,179	1,301
Provision of allowance for doubtful accounts	(0)	(0)
Other	2,220	2,469
Total selling, general and administrative expenses	9,544	9,932
Operating profit	3,771	4,956
Non-operating income		
Interest income	7	8
Dividend income	294	312
Foreign exchange gains	103	61
Miscellaneous income	170	145
Total non-operating income	576	528
Non-operating expenses		
Interest expenses	21	17
Commission expenses	29	36
Miscellaneous losses	22	13
Total non-operating expenses	73	67
Ordinary profit	4,275	5,417
Extraordinary income		
Gain on sale of non-current assets	1,542	4
Gain on sale of investment securities	—	428
Total extraordinary income	1,542	433
Extraordinary losses		
Loss on sale and retirement of non-current assets	108	158
Impairment losses	429	—
Loss on sale of investment securities	—	1
Extra retirement payments	1	0
Total extraordinary losses	539	161
Profit before income taxes	5,278	5,688
Income taxes - current	1,406	1,379
Income taxes - deferred	85	(8)
Total income taxes	1,492	1,371
Profit	3,785	4,317
Profit (loss) attributable to non-controlling interests	(2)	2
Profit attributable to owners of parent	3,788	4,315

Consolidated Statements of Comprehensive Income

(Million yen)

	For the fiscal year ended December 31, 2022	For the fiscal year ended December 31, 2023
Profit	3,785	4,317
Other comprehensive income		
Valuation difference on available-for-sale securities	270	1,510
Foreign currency translation adjustment	19	16
Remeasurements of defined benefit plans, net of tax	(187)	141
Total other comprehensive income	103	1,668
Comprehensive income	3,889	5,986
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,890	5,983
Comprehensive income attributable to non-controlling interests	(1)	3

(3) Consolidated Statements of Changes in Equity

Fiscal year ended December 31, 2022 (from January 1, 2022 to December 31, 2022)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	8,619	9,070	32,140	(841)	48,989
Changes during period					
Dividends of surplus			(835)		(835)
Profit attributable to owners of parent			3,788		3,788
Purchase of treasury shares				(1)	(1)
Disposal of treasury shares				12	12
Gain of treasury stock disposal		1			1
Net changes in items other than shareholders' equity					
Total changes during period	—	1	2,953	11	2,966
Balance at end of period	8,619	9,071	35,094	(829)	51,956

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	3,237	202	72	3,512	22	52,524
Changes during period						
Dividends of surplus						(835)
Profit attributable to owners of parent						3,788
Purchase of treasury shares						(1)
Disposal of treasury shares						12
Gain of treasury stock disposal						1
Net changes in items other than shareholders' equity	270	18	(187)	101	(1)	100
Total changes during period	270	18	(187)	101	(1)	3,066
Balance at end of period	3,507	220	(114)	3,613	20	55,591

Fiscal year ended December 31, 2023 (from January 1, 2023 to December 31, 2023)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	8,619	9,071	35,094	(829)	51,956
Changes during period					
Dividends of surplus			(1,014)		(1,014)
Profit attributable to owners of parent			4,315		4,315
Purchase of treasury shares				(2)	(2)
Disposal of treasury shares				274	274
Gain of treasury stock disposal		33			33
Net changes in items other than shareholders' equity					
Total changes during period	—	33	3,300	272	3,606
Balance at end of period	8,619	9,105	38,394	(557)	55,562

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	3,507	220	(114)	3,613	20	55,591
Changes during period						
Dividends of surplus						(1,014)
Profit attributable to owners of parent						4,315
Purchase of treasury shares						(2)
Disposal of treasury shares						274
Gain of treasury stock disposal						33
Net changes in items other than shareholders' equity	1,510	15	141	1,667	3	1,671
Total changes during period	1,510	15	141	1,667	3	5,278
Balance at end of period	5,018	236	27	5,281	24	60,869

(4) Consolidated Statements of Cash Flows

(Million yen)

	For the fiscal year ended December 31, 2022	For the fiscal year ended December 31, 2023
Cash flows from operating activities		
Profit before income taxes	5,278	5,688
Impairment losses	429	—
Depreciation	4,252	4,167
Increase (decrease) in allowance for doubtful accounts	(0)	(0)
Increase (decrease) in retirement benefit liability	62	5
Interest and dividend income	(302)	(321)
Interest expenses	21	17
Foreign exchange losses (gains)	(66)	(29)
Loss (gain) on sale of investment securities	—	(426)
Loss (gain) on sale and retirement of non-current assets	(1,504)	58
Decrease (increase) in trade receivables	(2,431)	(775)
Decrease (increase) in inventories	(1,805)	11
Increase (decrease) in trade payables	1,972	(498)
Other, net	(820)	1,608
Subtotal	5,086	9,506
Interest and dividends received	299	323
Interest paid	(21)	(16)
Income taxes paid	(1,661)	(1,409)
Net cash provided by (used in) operating activities	3,702	8,403
Cash flows from investing activities		
Purchase of property, plant and equipment	(5,120)	(7,129)
Proceeds from sale of property, plant and equipment	1,957	3
Proceeds from governmental subsidy income	19	52
Purchase of investment securities	(21)	(61)
Proceeds from sale of investment securities	—	611
Loan advances to subsidiaries and associates	—	(468)
Proceeds from collection of loans receivable	1	1
Payments for investments in capital of subsidiaries and associates	—	(455)
Other, net	(145)	(449)
Net cash provided by (used in) investing activities	(3,310)	(7,897)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(369)	(21)
Repayments of long-term borrowings	(570)	(453)
Purchase of treasury shares	(1)	(2)
Proceeds from disposal of treasury shares	—	293
Dividends paid	(831)	(1,009)
Net cash provided by (used in) financing activities	(1,773)	(1,194)
Effect of exchange rate change on cash and cash equivalents	63	46
Net increase (decrease) in cash and cash equivalents	(1,317)	(641)
Cash and cash equivalents at beginning of period	9,765	8,448
Cash and cash equivalents at end of period	8,448	7,806

(5) Notes to Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Changes in accounting policies)

[Application of the Implementation Guidance on Accounting Standard for Fair Value Measurement]

The Company has applied the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (Accounting Standards Board of Japan (ASBJ) Guidance No. 31, June 17, 2021; hereinafter referred to as the “Implementation Guidance on Fair Value Measurement Accounting Standard”) from the beginning of the fiscal year under review, applying new accounting policies defined in the Implementation Guidance on Fair Value Measurement Accounting Standard over the future in accordance with the transitional treatment as provided for in Paragraph 27-2 of the Implementation Guidance on Fair Value Measurement Accounting Standard. The application has no impact on the Company’s consolidated financial statements.

(Changes in presentation)

[Consolidated balance sheets]

“Electronically recorded obligations – operating” and “electronically recorded obligations – facilities,” which were included in “notes and accounts payable – trade” under “current liabilities” in the previous fiscal year, are recorded independently in the fiscal year under review due to their increased importance.

To reflect these changes in presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, 18,213 million yen, which was recorded as “notes and accounts payable – trade” under “current liabilities,” has been reclassified into “notes and accounts payable – trade” of 18,179 million yen, “electronically recorded obligations – operating” of 23 million yen, and “electronically recorded obligations – facilities” of 9 million yen.

[Consolidated statements of income]

“Subsidy income,” which was recorded independently under “non-operating income,” is included in “miscellaneous income” for the fiscal year under review due to its decreased monetary significance.

To reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, “subsidy income” of 27 million yen and “miscellaneous income” of 143 million yen, which were recorded under “non-operating income” in the previous fiscal year, have been reclassified into “miscellaneous income” of 170 million yen.

(Additional information)

[Accounting for Income Taxes, Local Income Taxes, and Tax Effect Accounting]

The Company and its consolidated subsidiaries in Japan have transitioned from the consolidated taxation system to the group tax sharing system from the fiscal year under review. Accordingly, income taxes, local income taxes, and tax effect accounting are accounted for and disclosed in accordance with the “Practical Solution on the Accounting and Disclosure under the Group Tax Sharing System” (ASBJ Practical Issues Task Force (PITF) No. 42, August 12, 2021; hereinafter referred to as the “ASBJ PITF No. 42”).

Based on Paragraph 32 (1) of the ASBJ PITF No. 42, the Company has concluded that there is no impact from the changes in accounting policies resulting from the application of the ASBJ PITF No. 42.

(Segment information, etc.)

[Segment information]

1. Overview of reportable segments

The Group’s reportable segments are the constituent units of the Group for which separate financial information

is available and which are subject to periodic review by the Board of Directors in order to determine the allocation of management resources and evaluate business performance.

The Group conducts its business activities according to the products and services it handles, and has three reportable segments: Plastic Film, New Materials, and Housing Materials businesses.

The Plastic Film segment produces and sells polyethylene film, polypropylene film, and other synthetic resin products; the New Materials segment produces and sells optical functional film and other LCD-related materials; and the Housing Materials segment produces and sells particleboard, processed boards, and other building materials.

2. Calculation method for the amount of net sales, profit or loss, assets, liabilities and other items by reportable segment

The accounting method for the reported business segments is the same as the accounting method used in the preparation of the consolidated financial statements.

Profit (loss) in reportable segments is based on operating profit (loss).

Inter-segment net sales are based on generally accepted transaction values.

3. Information for the amount of net sales, profit or loss, assets, liabilities and other items by reportable segment

For the fiscal year ended December 31, 2022 (January 1, 2022 to December 31, 2022)

(Million yen)

	Reportable segment				Other (Note 1)	Total	Adjustment (Note 2)	Amount recorded in consolidated financial statements (Note 3)
	Plastic Film	New Materials	Housing Materials	Total				
Net sales								
Net sales to outside customers	51,610	10,854	13,341	75,806	1,454	77,260	—	77,260
Inter-segment net sales or transfers	4	—	32	36	807	844	(844)	—
Total	51,614	10,854	13,373	75,843	2,261	78,104	(844)	77,260
Segment profit	3,476	1,342	862	5,680	365	6,046	(2,274)	3,771
Segment assets	45,772	16,328	11,170	73,270	1,812	75,083	15,150	90,234
Other items								
Depreciation	2,267	946	429	3,643	281	3,925	327	4,252
Increase in property, plant and equipment and intangible assets	2,147	1,905	407	4,460	179	4,640	884	5,524

(Notes) 1. The “Other” category is a business segment that is not included in the reportable segments and includes the hotel business, information processing system development business, and real estate leasing business.

2. The segment profit adjustment of negative 2,274 million yen includes negative 7 million yen in eliminations of inter-segment transactions and negative 2,267 million yen in corporate expenses that are not allocated to each reportable segment. Corporate expenses mainly consist of general and administrative expenses that do not belong to any reportable segment.

3. Segment profit is adjusted with operating profit in the consolidated statements of income.

For the fiscal year ended December 31, 2023 (January 1, 2023 to December 31, 2023)

(Million yen)

	Reportable segment				Other (Note 1)	Total	Adjustment (Note 2)	Amount recorded in consolidated financial statements (Note 3)
	Plastic Film	New Materials	Housing Materials	Total				
Net sales								
Net sales to outside customers	51,005	13,691	12,612	77,309	1,553	78,863	—	78,863
Inter-segment net sales or transfers	3	0	8	12	830	843	(843)	—
Total	51,009	13,691	12,621	77,322	2,383	79,706	(843)	78,863
Segment profit	4,144	1,854	900	6,899	456	7,356	(2,399)	4,956
Segment assets	45,828	23,162	11,394	80,385	2,447	82,833	17,439	100,272
Other items								
Depreciation	2,197	904	442	3,544	263	3,807	359	4,167
Increase in property, plant and equipment and intangible assets	2,920	5,282	510	8,713	903	9,617	1,531	11,148

- (Notes)
1. The “Other” category is a business segment that is not included in the reportable segments and includes the hotel business, information processing system development business, and real estate leasing business.
 2. The segment profit adjustment of negative 2,399 million yen includes negative 0 million yen in eliminations of inter-segment transactions and negative 2,399 million yen in corporate expenses that are not allocated to each reportable segment. Corporate expenses mainly consist of general and administrative expenses that do not belong to any reportable segment.
 3. Segment profit is adjusted with operating profit in the consolidated statements of income.

[Related information]

For the fiscal year ended December 31, 2022 (January 1, 2022 to December 31, 2022)

1 Information by products and services

This information has been omitted because the same information is disclosed in segment information.

2 Information by region

(1) Net sales

This information is omitted because net sales to external customers in Japan account for more than 90% of net sales in the consolidated statements of income.

(2) Property, plant and equipment

This information is omitted because the amount of property, plant and equipment located in Japan accounts for more than 90% of the property, plant and equipment on the consolidated balance sheets.

3 Information by principal customers

Information by principal customers is not shown because no outside customer accounts for 10% or more of net sales in the consolidated statements of income.

Due to the application of the Revenue Recognition Accounting Standard, etc., Sumitomo Chemical Company, Limited, whose information was stated in the previous fiscal year, now accounts for less than 10% of net sales in the consolidated statements of income.

For the fiscal year ended December 31, 2023 (January 1, 2023 to December 31, 2023)

1 Information by products and services

This information has been omitted because the same information is disclosed in segment information.

2 Information by region

(1) Net sales

This information is omitted because net sales to external customers in Japan account for more than 90% of net sales in the consolidated statements of income.

(2) Property, plant and equipment

This information is omitted because the amount of property, plant and equipment located in Japan accounts for more than 90% of the property, plant and equipment on the consolidated balance sheets.

3 Information by principal customers

Information by principal customers is not shown because no outside customer accounts for 10% or more of net sales in the consolidated statements of income.

[Information on impairment loss on non-current assets by reportable segment]

For the fiscal year ended December 31, 2022 (January 1, 2022 to December 31, 2022)

(Million yen)

	Reportable segment				Other (Note)	Corporate / Eliminat ions	Total
	Plastic Film	New Materials	Housing Materials	Total			
Impairment loss	429	—	—	429	—	—	429

(Note) The “Other” category is a business segment that is not included in the reportable segments and includes the hotel business, information processing system development business, and real estate leasing business.

For the fiscal year ended December 31, 2023 (January 1, 2023 to December 31, 2023)

Not applicable.

[Information on amortization of goodwill and unamortized balance by reportable segment]

Not applicable.

[Information on gain on negative goodwill by reportable segment]

Not applicable.

(Per share information)

	For the fiscal year ended December 31, 2022	For the fiscal year ended December 31, 2023
Net assets per share	¥4,655.71	¥5,031.25
Basic earnings per share	¥317.45	¥359.29

(Notes) 1. Diluted earnings per share is not shown because there are no potential shares.

2. The basis for the calculation of net assets per share is as follows.

	As of December 31, 2022	As of December 31, 2023
Net assets	¥55,591 million	¥60,869 million
Deduction from net assets	¥20 million	¥24 million
[Non-controlling interests]	[¥20 million]	[¥24 million]
Net assets for common shareholders at end of fiscal year	¥55,570 million	¥60,844 million
Number of common shares used to calculate net assets per share	11,935 thousand shares	12,093 thousand shares

3. The basis for the calculation of basic earnings per share is as follows.

	For the fiscal year ended December 31, 2022	For the fiscal year ended December 31, 2023
Basic earnings per share		
Profit attributable to owners of parent	¥3,788 million	¥4,315 million
Amount not attributable to common shareholders	—	—
Profit attributable to owners of parent attributable to common shares	¥3,788 million	¥4,315 million
Average number of common shares outstanding during the fiscal year	11,933 thousand shares	12,010 thousand shares

(Significant subsequent events)

Not applicable.